Shenzhen Announces 2017 Wage Guidelines

DYLAN CHEN

BUSINESS DEVELOPMENT OFFICE
HONG KONG BRANCH

T +852-2821-3782
E DYLAN_Y_CHEN@HK.MUFG.JP

10 OCT 2017

Human Resources and Social Security Bureau of Shenzhen issued "2017 Wage Guidelines for Shenzhen's Human Resources Market (hereinafter the "Wage Guidelines")" on 18 September 2017. Data shows that average monthly salary of workers in Shenzhen this year reaches RMB5,611, increased 10.10% from the previous year.

BACKGROUND

The Wage Guidelines, providing references for Shenzhen companies to determine appropriate salary benchmarks, have been announced by the Shenzhen government regularly on an annual basis since 1999. The Wage Guidelines contain salary benchmarks across several industries, and are listed by maximum value (average of the top 10%), median, minimum value (average of the bottom 10%) and mean respectively.

The 2017 Wage Guidelines are made based on the survey results from 935 companies that cover 14 industries, with reference to the wage growth over the past few years.

HIGHLIGHTS

I)   OVERALL EARNINGS

Overall, the 2017 Wage Guidelines for companies in Shenzhen show solid growths in monthly salaries, with maximum value at RMB25,274 (YoY +3.99%), median at RMB4,415 (YoY +9.44%), minimum value at RMB2,725 (YoY +10.46%) and mean at RMB5,611 (YoY +10.10%) respectively. The minimum value is 28% more than Shenzhen's statutory minimum wage at RMB2,130/month. Moreover, it can be seen that annual growth rate of the actual wage is not necessarily in line with that of the statutory minimum wage.

Average Salary in Shenzhen

(RMB/month)

Year	Value
'10	3,198
'11	3,326
'12	3,892
'13	4,104
'14	4,360
'15	4,711
'16	5,097
'17	5,611

Annual Growth Rate Trends (YoY)

- Average Salary in Shenzhen
- Shenzhen's Minimum Wage

10.1%

4.9%

○ MUFG

II) EARNINGS BY INDUSTRY

Seen from earnings by industry, ranking of the top 3 maximum value and the bottom 3 minimum value of monthly salaries is consistent with the previous year. The top 3 maximum value are finance, ICT (information and communications technology), as well as real estate industry. It is considered that such industries have been contributing, and will continue to contribute significantly to Shenzhen's economic growth in the future. Meanwhile, the bottom 3 minimum value cover the traditional industries or services sectors, including accommodation and catering, manufacturing, and residential services, repairs and other services.

Top 3 Maximum Value	2017	2016	YoY Change
Finance	RMB47,360	RMB43,954	+7.75%
ICT	RMB42,388	RMB41,314	+2.60%
Real estate	RMB37,227	RMB34,559	+7.72%

Bottom 3 Minimum Value	2017	2016	YoY Change
Accommodation and catering	RMB2,595	RMB2,385	+8.81%
Manufacturing	RMB2,690	RMB2,419	+11.20%
Residential services, repairs and other services	RMB2,837	RMB2,717	+4.42%

III) EARNINGS BY EDUCATIONAL ATTAINMENT

Average monthly earnings are at RMB11,026 for postgraduates (YoY +5.03%), RMB8,827 for bachelors (YoY +10.89%), RMB7,470 for higher diploma graduates (YoY +14.75%), RMB4,944 for senior high school graduates (YoY +6.05%), and RMB3,980 for junior high school graduates and/or below (YoY +14.76%). The income gap between adjacent educational levels can be more than RMB2,000/month. High-quality talents with professional knowledge and skills earn far more than low educated workers.

EXPANSION

Development direction of Shenzhen can be observed to some extent from figures stated in the Wage Guidelines. By actively deepening industrial reform and promoting innovation for more than a decade, Shenzhen has been shifting from a city with labour-intensive manufacturing and low value-added industries, to the one which emphasises next-generation information technology, advanced manufacturing and emerging industries.

By comparing the 2017 Wage Guidelines to that of the 2010, it can be found that while the average monthly salary has increased by 75%, significant growth in the ICT sector has been recognised even at 116%. Massive growth potentials from emerging industries like this, have been attracting high-level talents whom are well-educated with professional knowledge to the city to further boost economic growth.

Meanwhile, although the finance industry remains the top maximum value as always, it is surprised to find that average monthly salary dropped from RMB7,004 in 2010 to RMB6,965 in 2017. Such unexpected drop indicates that as a matter of fact, general enhancement does not certainly result in the whole industry as we expected.

COMMENTS

Wage levels, while affected by several reasons, reflect the local economy, development direction, as well as prospect of each industry in a substantial way. Despite the increasing labour costs, enormous business opportunities and competitiveness enhancement can be expected in Shenzhen, especially with the huge growth potentials generated from the Greater Bay Area development plan introduced lately. Hope this report, simply highlighting key points of the 2017 Wage Guidelines, could give a brief idea to salary benchmarks for recruitments, and help in understanding potential markets of Shenzhen.

MUFG